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SUBJECT: Enriquez-Ominami Predicts Pinera Victory, Plans New  
Political Party

CLASSIFIED BY: Paul E. Simons, Ambassador, State, AMB; REASON: 1.4(B)

11. (C) Summary. Despite his electoral losses, former presidential candidate Marco Enriquez-Ominami is interested in remaining engaged in politics and hopes to form a new political coalition to include his supporters and two smaller Concertacion parties, the Party for Democracy (PPD) and the Radical Social Democrats (PRSD). Enriquez-Ominami has "no doubt" that Pinera will win the presidential election and issued a weak endorsement of former President Frei on January 13. End Summary.

12. (C) During a January 4 meeting with the Ambassador, former presidential candidate Marco Enriquez-Ominami said that he had "no doubt" that opposition candidate Sebastian Pinera would win the January 17 runoff presidential election, and noted Pinera's continued excellent campaigning, including targeting voters who had supported Enriquez-Ominami in the first round. Enriquez-Ominami supporters tend to be urban and informed: Pinera knew he would have to reach them quickly to win his votes and mobilized his campaign to do so, while Frei was slow to begin courting them. Pinera has also taken on board many of the themes that Enriquez-Ominami promoted in his campaign, even taking the controversial step of including a gay couple in his election advertising.

13. (C) Enriquez-Ominami said that he was surprised that the leaders of all four Concertacion parties had not resigned immediately after Frei's poor performance in the December 13 first round election, as many observers had expected. The leaders of the two smaller parties--the Party for Democracy (PPD) and the Radical Social Democrats (PRSD) both resigned on December 30, but Socialist Party president Camilo Escalona has been particularly steadfast in his refusal to resign, despite calls for him to do so. Enriquez-Ominami asserted that President Bachelet, herself a Socialist, is backing Escalona as party president because she knows that Escalona would support her if she chooses to run for the presidency in 2013.

14. (C) Enriquez-Ominami noted that President Bachelet has initiated a big legislative push to get several progressive laws passed quickly, including legislation that would nationalize water rights, improve public education, counteract inflationary losses on public pensions, and implement changes to voting law. Several of these items are changes that Enriquez-Ominami favors, and he (and the

press) have been portraying this move as a conciliatory gesture from Bachelet designed to get Enriquez-Ominami to endorse Frei.

15. (C) The former presidential candidate indicated that he plans to form a new political party (as yet unnamed), hopefully together with the two smaller Concertacion parties, the Party for Democracy (PPD) and the Radical Social Democrats (PRSD). One of the party's major initiatives will be to promote tax reform, lowering taxes on individuals and raising them on corporations. Enriquez-Ominami advisor Max Marambio, who was also present in the meeting, noted that Chilean corporations are expert at finding loopholes in tax law and, despite an ostensible 17% corporate tax rate (5% for mining companies), in reality pay very little. Enriquez-Ominami would favor raising the corporate tax rate to 30%, increasing taxes on mining companies, lowering individual tax rates somewhat, and using the additional revenue to fund social programs.

16. (U) On January 13, Enriquez-Ominami publicly backed Concertacion candidate Frei, though in the weakest possible terms. Enriquez-Ominami did not even mention Frei by name, and instead emphasized Frei's poor showing in the first round, saying "I will vote for the candidate who received 29 percent of the vote."

17. (C) COMMENT: Marco Enriquez-Ominami is not letting this year's electoral defeat dampen his enthusiasm for Chilean politics. His

movement's showing on December 13 was disappointing: while Enriquez-Ominami's failure to advance to the runoff election was not a surprise, the defeat of all of his parliamentary candidates--including some heavily favored incumbents--was a shock. His supporters have scattered for now, with some endorsing Frei, others backing Pinera, some discussing their plans to cast spoilt or null ballots, and one former parliamentarian having renounced politics altogether. Nonetheless, Enriquez-Ominami hopes to gather his erstwhile followers and peel the Concertacion's two smaller parties-- the Party for Democracy (PPD) and the Radical Social Democrats (PRSD)--away from their current coalition and into his orbit. It remains to be seen if his efforts will be successful and, if it is, how three political coalitions could function in an electoral system designed for two coalitions. End Comment.

SIMONS